



**Washington State Auditor
Troy Kelley**

June 28, 2013

Governor Jay Inslee
Washington State Governor's Office
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Inslee:

I respectfully request a veto of the unfunded mandates in 2ESSB 5034, Section 124 (2), (3), (4) and (5) in the operating budget. The precedence of the Legislature requesting audits of the independent State Auditor through budget legislation raises several issues, including issues regarding the independence of this office. This budget already diverts almost \$10 million from the voter-approved Performance Audit of Government Account, \$5.6 million of which is diverted to fund the audit function of the Joint Legislative Audit and Review Committee (JLARC). JLARC is directed by the Legislature, and is the appropriate venue for legislatively directed audits. Initiative 900, which established the performance audit account, is supported by a broad majority of Washingtonians because of the role played by the independent auditor's office.

The unfunded mandates requested in these subsections constitute a large portion of the funds remaining in the performance audit account, and serve to remove the independent performance audit function of the Washington State Auditor's Office. Our office will continue to perform robust outreach to citizens and stakeholders in order to ensure that we provide a high return on investment. However, these unfunded mandates compromise the independence of this office. Other specific issues we have with each subsection are outlined below:

Subsection (2): This proviso does not acknowledge the different actuarial functions of the six agencies named, and implies that the result will be to create a separate office in the executive branch.

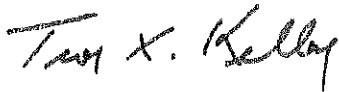
Subsection (3): We are currently working on a performance audit of the managed care systems. This proposal would duplicate audit work in the managed care area and introduces a new set of objectives which have not been vetted by a risk assessment.

Subsection (4): Some functions requested in this section are already performed by our office. We are required to audit programs receiving federal funds through the single audit, which looks at federal funds received by the state. The single audit examines these funds for compliance and controls. We also perform tests for improper payments, abuses and potential fraud in our single and accountability audits of agencies and programs. Until recently, we routinely performed compliance and control audit work at individual state agencies such as the Department of Health, Department of Social and Health Services and the Washington State Health Care Authority. However, our financial and accountability audits of state government have seen a funding reduction of almost 40% in recent years and are not funded to perform that capacity at this time.

Subsection (5): Our audit topic selection process is based on a rigorous risk assessment, and a cost analysis to determine if performing such an audit is a wise investment of public resources. This subsection would bypass our risk analysis process.

Thank you for your consideration and action. Should you or any of your staff wish to discuss this further, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, slightly slanted style.

Troy Kelley
State Auditor

TK:jc